

Published: June 5, 2016, *Kokomo Tribune* [Page: A4, promo on A1]

http://www.kokomotribune.com/news/kokomo-metro-area-has-largest-wage-drop-in-the-country/article_4a1fa1c6-28f0-11e6-be94-17a37e7f534c.html

Kokomo metro area has largest wage drop in the country

But, experts say, this number doesn't tell whole story

**By Rob Burgess and Cody Neuenschwander
Kokomo Tribune**

Kokomo paychecks have lost the most buying power of any other metro area in the country according to a report from the Pew Research Center released Tuesday.

According to the report, weekly wages from the third quarter of 2015 have dropped 13.5 percent since 2000. The average weekly paycheck for that time in 2015 was \$839.

Pew adjusted the data using local and regional inflation indexes.

Like many manufacturing-heavy cities, Kokomo was not able to fully recover from the hit of the 2000-01 recession before the recession of 2009, making matters worse. According to Pew, it was small to midsized manufacturing metro areas in the Midwest and Northeast that saw the most losses.

Kokomo joins Fort Wayne, Muncie and Columbus, along with 18 other metro areas that experienced a drop in wages.

That is compared to the average national weekly paycheck, which rose by 7.4 percent since 2000.

But, experts say, the figures cited in this report don't tell the whole story.

Michael J. Hicks, Ph.D., is director of the Center for Business and Economic Research and a professor of economics at Ball State University. Hicks said this report from Pew was mainly focused on tracking changes related to natural gas operations in other parts of the country – an industry that doesn't have a connection to an automobile manufacturing center like Kokomo.

"There's no clear pattern going on that would suggest anything other than changes in the wages of your largest employers," he said. "I would think the two-tier UAW contracts would help explain that. ... If you were to think about what's happening with Kokomo, it's got a pretty darn bright future. I don't think anyone would have said that 10 years ago. This one bit of data is not what you'd like to see, but I don't think it paints a very clear picture of the wellbeing of the people in Kokomo."

Alan Krabbenhoft, IU Kokomo business school dean, said the data in the report was culled from the Bureau of Labor Statistics with the average weekly wages being calculated by dividing quarterly total wages for the area by the average total employment for the quarter.

"So, in other words, it's just two numbers," he said.

Krabbenhof said the loss of high-paying jobs and the residents that went with them was the byproduct of the economic catastrophes of the past 15 years.

“No question that had a real significant and devastating impact on the local economy,” he said. “We lost a lot population in our community over that time frame and a lot of those were auto worker jobs that never came back to the extent they were before the Great Recession, specifically from Delphi, GM and the like. Chrysler has managed to come back quite significantly, [but] the problem has been there has been a significant number of high income jobs ... lost with Delphi and GM with the auto industry that had attached to them very substantial incomes.”

Krabbenhof said with a greater share of the current employment taken up by lower-paying service sector jobs instead of more lucrative automobile manufacturing jobs, the average was being dragged down.

“We have not fully recovered on an average basis in large part because we’ve only recovered about one-half to two-thirds of the manufacturing jobs that we might have had at that time, and the one-half or one-third that we haven’t recovered, those are going to be the relatively high-paying positions.”

Kokomo deputy mayor David Tharp said the percentage drop does not indicate that Kokomo is doing poorly, but that Kokomo has been performing at such a high level, that any percentage drop would appear significant.

Tharp used a sports analogy by saying if a team had a perfect season, only to lose one game the next season, they would increase their number of losses by 100 percent.

According to Tharp, the Kokomo metro area has the second highest weekly wage in Indiana as of the third quarter of 2015, second only to Columbus, with an average of \$937.

Nearly 200 of the 352 metro areas in the Pew study rose above the national average. Oil and gas rich metro areas have seen the most increase, according to Pew, with Midland, Texas seeing the largest increase of 48.1 percent.

College cities and areas with significant health care industries also saw a rise, according to Pew.

The Pew report noted that the statistics only took employed citizens into account. The study noted that the numbers can stagnate or fall if the employment rate rises, if the market shifts from high paying jobs to low paying jobs.

Preliminary data from the Bureau of Labor Statistics show the unemployment rate for Kokomo in April was 5.1 percent, compared to 3.3 percent in January 2000.

Cody Neuenschwander can be reached at 765-454-8570 or by email at cody@kokomotribune.com.

Rob Burgess, Tribune night editor, may be reached by calling 765-454-8577, via email at rob.burgess@kokomotribune.com or on Twitter at twitter.com/robaburg.